

TONGDA HONG TAI HOLDINGS LIMITED

2019 Environmental, Social and Governance Report

Environmental, Social and Governance Report

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ABOUT THE REPORT

This Environmental, Social and Governance (“ESG”) Report (the “Report”) is prepared by Tongda Hong Tai Holdings Limited (the “Company”) to review and summarize the ESG work from the Company and its subsidiaries (collectively as the “Group”) in 2019. The Report spans the period from 1 January 2019 to 31 December 2019, and covers information of the Group – Hong Kong headquarters and its manufacturing base in Changshu (常熟), the People’s Republic of China (the “PRC”). The information disclosed by this Report follows the “general disclosures” and the environmental KPIs set out in the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”), Appendix 27 to the Rules Governing the Listing of Securities released by Hong Kong Exchanges and Clearing Limited.

Unless otherwise stated, this Report should be read in conjunction with the Corporate Governance Report on pages 13 to 24 of the 2019 Annual Report of the Company. The data and information as referred to in this Report are derived from different files, records, statistics and research of the Company and this Report covers the period from 1 January 2019 to 31 December 2019 (the “Reporting Period”), same as the financial year of the 2019 Annual Report of the Company.

Adhere to the Group’s vision of sustainability, the Group is committed to generate maximum value for our shareholders as well as balancing the interests between the environment, society and other aspects to promote harmony and prosperity among different stakeholders.

The Group proactively identifies major stakeholders of the Group’s businesses and their key expectations. The Group has established a variety of communication channels to encourage participations of stakeholders to provide valuable ideas and constructive suggestions to the Group’s development. On this basis, the Group can establish a long-term and effective mechanism for the ESG development.

A. ENVIRONMENTAL

1. Environmental Protection

1.1 Emissions

Emphasising on both economic benefit and environmental protection, the Group develops a long term mechanism and policies for environmental protection and energy saving in order to build a resource-saving and environment-friendly enterprise.

The Group strictly complies with the relevant laws and regulations in relation to environmental protection to identify and manage different types of emissions and to ensure they are safely treated, transported, stored and disposed. According to the requirements of relevant laws and regulations as well as the environmental impact assessment approvals, the Group identifies and manages the major emissions during production and operation.

During the Reporting Period, the Group's types of emissions and respective emissions statistics are shown as below:

Waste gas discharge	2019
Granule particle	10.3 mg/m ³
Benzene	0.2 mg/m ³
Methyl benzene	0.3 mg/m ³
Dimethyl benzene	0.2 mg/m ³

During the Reporting Period, the Group's total greenhouse gas emissions is approximately 1,800 tonnes.

The emissions of the Group's manufacturing base shown above are within the discharge level in standard local regulation. Manufacturing base has also set postprocessor to deal with exhaust gas/wastes emitted during production process.

The sewage generated by the Group from its daily operations are mainly domestic sewage from the office and the staff messing hall. The sewage is discharged to the designated sewage treatment plant for treatment via sewage pipeline.

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.1 Emissions *(continued)*

The Group's total non-hazardous waste produced during the Reporting Period is approximately 430 tonnes and total hazardous waste produced is Nil as the Group conducts in-house treatment for hazardous waste before discharging.

The Group strictly complies with the local regulations throughout entire logistics, storage and treatment process of materials. For example, the manufacturing base has a special storage room and procedures for materials storages in order to ensure all the materials are good for production. For example oil paint and other substances are stored at ventilated, thermostatic places and the corresponding secondary containers to prevent the liquid material flow out by unpredicted incidents into public area. Moreover, the Group deals with wastes depending on different conditions. Generally, wastes are transported when accumulated to a certain amount to reduce transportation cost and carbon emission.

1.2 Use of Resources

The Group mainly focuses on the following aspects to improve the efficiency of resources utilization and reduce unnecessary energy consumption.

The Group designated a committee for specialising in resources saving strategy, the strategy is applied to implement low carbon emission in operation, to monitor the whole process of energy flow efficiency by regular assessments. At the same time, the Group also consider incorporating environmental-friendly policy on utilisation of natural resources into operation.

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.2 Use of Resources *(continued)*

During the Reporting Period, the Group's electricity consumption in domestic production is presented below.

Electricity consumption in total(million kWh)

2019

Total consumption	15.0
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The committee oversees the Group's operation to manage and implement policies for the reduction of electricity consumption. The Group also directs different departments to achieve electricity savings by using higher energy efficiency air conditionings and compressors and monthly statistics report is published to record and analyse electricity consumption by each department. In order to minimise the wastage of electricity, the Group achieved electricity conservation by regularly inspecting and supervising the electricity consumption across departments. On the other hand, the Group actively supports the energy saving transformation projects – upgrading existing equipment (such as installations of advanced energy saving equipments, the purchase of electric injection molding machines and the energy saving lighting), improving various systems (such as air compressor frequency transformation and bake molding machine feeding system energy saving transformation) and the implementation of new technologies (such as air conditioning water cooling systems based on nano dirt removal technologies).

The Group's water consumption is mainly from the domestic water consumption of office area and living quarters. The Group encourages employees to develop water-saving habits, including posting water-saving slogans in conspicuous places, and requiring employees to turn-off the faucets in time to reduce water wastage.

During the Reporting Period, the Group's total usage of packaging materials for finished products were approximately 105 tonnes.

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.3 *The Environment and Natural Resources*

The material impact of the Group on the environment and natural resources is the emissions and resources usage. In addition to the management measures as discussed, the Group also actively popularize the concept of environmental protection and energy saving among employees to promote green production and operation, in order to reduce the impact of business activities of the Group on environment and natural resources.

Regarding to waste management and recycling during the Reporting Period, the Group generated approximately 524 tonnes of recyclable industrial waste, approximately 156 tonnes of domestic waste, approximately 160 tonnes of kitchen waste and approximately 168 tonnes of carbon emission. The Group recycles reusable resources and properly handles hazardous and non-hazardous materials with best efforts. The Group requires employees to keep contaminated items separately and classify reusable wastes. During the Reporting Period, the Group recycled approximately 258 tonnes of waste from its production process, including scrap steel, copper and packaging waste, total paint residues and wastes with oil content produced by the Group amounted to approximately 4.2 tonnes. Such paint residues and wastes will be filtered and dehumidified by appropriate treatment then packed into bags and subsequently stored in specialised storage locations. Oil wastes will also be collected and packed into bags then stored in specialised storage locations. In compliance with the “Standards on Storage and Pollution Control of Hazardous Wastes”, the Group entrusts qualified units to handle hazardous wastes by transfer process. The Group follow the transfer process system as well as the reporting and registration system in accordance with the relevant regulations.

Staff support and participation is the key for implementing environmental protection policies and measures of the Group. Through announcements, internal emails and trainings provided by external experts, the Group delivers the knowledge on energy-saving, emission reduction and environmental protection to the staffs. To achieve the annual energy-saving target, the Group further review the job done by each department to include environmental protection concepts across all business decision-making process in respect of manufacturing and sales. The Group keeps encouraging and leading our staffs to take part in continuous environment improvement initiative as well as providing trainings in anticipation that every staff understand the importance of energy-saving and emission reduction.

The environmental regulatory non-compliance resulting in fines or prosecutions is Nil during the Reporting Period.

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.3 *The Environment and Natural Resources (continued)*

The Group advocates the importance of environmental protection and sustainability in the development of employees. The Group adopted several of environmental friendly practices as listed below:

- Using air conditionings with sensors to maintain optimal room temperature;
- Encouraging double-side printing and photocopying;
- Reducing the use of petroleum related products, such as plastics and polystyrene products;
- Minimize the need of overseas business travelling by using video-conference or telephone-conference equipments instead; and
- Reminding employees to turn unused electrical appliances off.

B. SOCIAL

2. Employment and Labour Practices

2.1 *Employment*

The Group is committed to comply with relevant labour standards and employment laws and regulations which are applicable to the Group's business. During the Reporting Period, the Group has no non-compliance or violation in respect of labour affairs. As employees are paramount assets and foundation of the Group's success, the Group spares no effort in caring the employees' needs and always strives for their benefits. Under the Group's sound policy, an equal employment environment is fostered in which there is no workplace discrimination on the basis of ethnicity, nationality, age, gender, religion, disability, marital status, pregnancy, social orientation and other factors. The Group values the contribution of our employees and actively shares the achievements with employees, by regularly reviewing its remuneration policy to ensure competitive remuneration packages, including basic salary, commission, bonus and other welfares and allowances are offered to the Group's employees.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.1 Employment *(continued)*

The Group's employees are recruited from the PRC and Hong Kong. All employees are entitled to certain number of paid leaves, including maternity leaves, in accordance with the applicable laws of different jurisdictions. The Group advocates a worklife balance among employees by introducing reasonable working hours and paid leaves, which is not only beneficial to employees' health, but also to promote morale and foster employees' sense of belonging to the Group. The Group believes every contribution deserves its reward, the Group adopt a performance-based remuneration policies, performance evaluations are conducted yearly to appraise the performance of all employees, offering them recognitions and rewards according to their individual performance. On top of this, the Group also developed comprehensive human resources policies and guidelines to govern compensation, dismissal, recruitment and promotion processes of employees in which no case of inequality was reported during the Reporting Period. Besides, all employees are welcomed to express opinions through various well-established channels, including monthly regular meetings, emails, anonymous opinion box, in which the opinions of the employees could be expressed and fostered to the management at anytime. The Group will always undertake improvement measures for the benefits of the employees.

As of 31 December 2019, the Group has in total approximately 916 employees.

	Approximate proportion of technical management staff	Approximate proportion of production base workers	Total
Aged 18-30	19.4%	51.1%	70.5%
Aged 31-45	3.7%	24.0%	27.7%
Aged 46-60	0.6%	1.2%	1.8%
Sub-total	23.7%	76.3%	100%

Staff messing hall and sports playground are available within the Group's production plant. The Group also reserved funds for hosting recreational activities, which helped employees to relieve stress, and served to exemplify the Group's corporate culture of the spirit of solidarity and cohesion among employees.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.2 Health and Safety

As a manufacturing enterprise, the occupational health and safety of staffs have always been the key focus of the Group.

The human resources department is responsible for formulating and promoting the health and safety procedures and systems. It regularly reviews the health and safety condition of the Group and organizes trainings to ensure the Group's compliance with local health and safety regulations to protect the health and safety of staffs. The Group addresses the safe working environment issues by providing employees protection equipments: including but not limited to gloves, masks, ear plugs, safety helmets, eye protectors and work uniforms to ensure the health and safety of employees. Productions safety and fire safety training are regularly hosted in order to promote the safety awareness of employees.

The Group manages the health and safety of its plants in accordance with the relevant laws and regulations of occupational health and safety. No severe industrial accidents were recorded by the Group and the number in days lost due to work injury was Nil during the Reporting Period.

2.3 Development and Training

One of the most important assets of the Group is human capital. A well-developed training system not only improve staffs overall productivities, but also enhance the staff's professional skills.

- Orientation Training: Orientation trainings will be provided when new staff the Group to enable the staff to understand the Group's culture, principles, disciplines and rules and regulations etc., and allow new staff to adapt their new positions quickly.
- On-the-job Training: With regard to business needs, the Group organizes internal and external training programs from time to time for staff to gain a better understanding of the Group's business and to keep them abreast of the latest knowledge and skills thereby enhance the staff's job performance. The training courses content cover the operation of a wide variety of instrument, the application of chemicals and other relevant skill trainings (where applicable), such as the training knowledge of ISO 9000 quality management system, the basic concept of RoHS, and REACH management, and handling a chemical material.

The Group also encourages employees to participate in various external qualification examinations or research seminars according to the needs of their job duties. The Hong Kong office will arrange training for directors and professional staffs every year.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.4 Labour Standard

The Group established and implemented a staff manual which contains policies relate to relevant labor laws, regulations and industry practices, covering areas such as compensation, dismissal, promotion, working hours, recruitment, rest periods, diversities and other benefits and welfares. In addition, the Group strives to ensure an equal and fair working environment. The Group strictly complied with the labor ordinance and does not tolerate any form of sexual harassment, harassment and abuse in the workplace, which is a violation of the employment law in Hong Kong and the PRC. The prohibition of child labor and forced labor practices are also set in accordance with all relevant laws and regulations that applicable to the Group. Before hiring any job applicant, the human resources department will verify their age by inspecting their identity documents and ensure applicant's appearance is consistent with the photograph on the ID card. During the Reporting Period, no violation regarding the age of employment and labor dispute has occurred between the Group and employees.

3. Operating Practices

The Group has defined, assigned, and delegated the management and supervisors to take responsibilities in operating practices by complying all the operating requirements in the following aspects.

3.1 Supply Chain Management

Hundreds of suppliers on the Group's qualified suppliers list both in domestic and overseas, in the productions of plastic, ink, sheeting, metal raw materials and packaging materials etc. Associating supply chain management with environmental responsibility management, the Group requests qualified suppliers to provide a certificate of compliance letter to ensure the raw materials or semi-products used by suppliers satisfy the environmental protection requirements, compliance with the laws and regulations in the countries and regions where the suppliers' operations located to ensure they are operating in good faith by adhering to their business ethics and coherent to the Group's operating practices. In addition, the determinants in the selection of the qualified suppliers include pricing, quality, reliability in supply, fulfillment of social responsibilities goals and commitment to environmental protection concepts. The Group will conduct comprehensive supplier audit assessments before recognize new suppliers in the Group's qualified supplier list. A designated team is established by the Group to conduct on-site appraisals of high-risk suppliers and assist suppliers to improve performances. The Group prohibits any discriminations arising from regional, ethnic, cultural and political factors during the course of certification, evaluation and optimization of suppliers.

B. SOCIAL *(continued)*

3. Operating Practices *(continued)*

3.1 Supply Chain Management *(continued)*

The Group has been implementing the “Management Approach on Social Responsibility” for suppliers, and suppliers are required to enter into the “Social Responsibilities Commitment” since 2012. The Group collaborates with suppliers to combat commercial bribery and other illegal activities. The Group trades are based on fair, justice and open principles by entering “engagement letters of transaction integrity” with suppliers. As prohibited by the Group, “conflict minerals” are not included in suppliers’ procurement system. The Group entered into the “Letter of Undertaking of Prohibited Use of Conflict Minerals” with suppliers, to ensure none of the raw materials used in the Group’s production are derived from four kinds of conflict minerals including tantalum (Ta), tin (Sn), tungsten (W) and gold (Au) from Democratic Republic of Congo and its surrounding countries and regions.

Green management concepts also embeded in the Group’s supply chain, the “Guarantee of Environmental Management of Substances” guides the Group’s suppliers to establish effective green management into entire process from raw materials procurement, internal production and the delivery of finished goods to customers. The Group encourages suppliers to detect harmful substances autonomously, to enhance capability management in green products, and implement emission reduction management – reduce carbon contents by regular notification of plans or results to the Group. In addition, the Group’s designated team regularly conducts on-site audits to ensure suppliers’ implementations of the green concept in the same pace with the Group, suppliers also bear their responsibilities to the society by duly implementing environmental protection measures.

3.2 Product Responsibility

With unwavering commitment to premium product quality, the Group has established a set of comprehensive quality control system. The Group qualified the international quality management system – ISO9001 and the international environmental management system – ISO14001 respectively. Basically, the Group implements 5S workplace management in our whole operation process to carry out in a well-disciplined and efficient manner. In addition, the quality control (QC) department implements product quality standards with international standards to reach customers’ requirements. The QC department adheres to strict rule in trial production of products and random checks of production volume and monitors product quality in joint hands with customers. The KPI is shown in below – between percentage of total products sold or shipped and recalls for safety and health reasons.

Total products shipped in

Recalls for safety and health

2019

0%

B. SOCIAL *(continued)*

3. Operating Practices *(continued)*

3.3 Anti-corruption

The Group is committed to uphold high standards of business ethics and conveys its firm stance against corruption and fraud to its customers, suppliers, contractors and employees. The management is responsible for monitoring the business operation and overseeing any cases related to corruption or fraud. The Group's whistle-blowing procedure encourages and allows stakeholders to report on observed and suspected non-compliance and questionable practice.

The Group pledges "zero tolerance" approach to any fraudulent business activity in operating practices. During the Reporting Period, no legal case concerned with corrupt practices was brought against the Company.

4. Community Involvements

Community is the base of our development, and the Group is concerned about the trends and voices of the community. Therefore, the Group has maintained good communication with the community, and involved in community development activities, such as ancillary facilities development in nearby districts of our production bases in the PRC.

The Group will continue to take part in community development in the future will make use of expertise and resources of the Group to support the communities in which the Group operates and collaborates with local charities.